SECTION BY SECTION ANALYSIS OF THE LONG-TERM CARE ADVANCEMENT ACT OF 1999

SECTION 1: SHORT TITLE

SECTION 2: EXCLUSION FROM INCOME FOR RETIREMENT PLAN WITHDRAWALS USED TO PURCHASE LONG-TERM CARE INSURANCE

Penalty taxes are waived on IRA/retirement plan withdrawals used to pay for LTC insurance policy premiums.

IRA/retirement plan withdrawals will not be included as taxable income if the withdrawal is used to pay for ''qualified'' LTC insurance policy premiums. The amounts excludable from taxation are as follows (the amounts are identical to the LTC tax breaks contained in P.L. 104–193):

Age of LTC policyholder	Exclusion from income allowed on IRA/401(k) withdrawals for ''qualified'' policies under HR—
40 or less	$200.00
41 to 50	375.00
51 to 60	750.00
61 to 70	2,000.00
71 and up	2,500.00

''Qualified'' LTC plans eligible for the incentives contained in this bill are defined by the Health Insurance Portability and Accountability Act of 1996 (HIPAA, or P.L. 104–193).

Double tax benefits are prohibited. For example, a taxpayer otherwise eligible to take a deduction for LTC premiums could either take the tax deduction allowed by P.L. 104–193, or make a tax-excludable withdrawal from their IRA or other retirement plan. They cannot do both.

Only the amounts withdrawn to pay for actual LTC premiums are eligible to receive tax benefits under LTCAA. Amounts withdrawn in excess of those needed to pay LTC premiums would be subject to normal tax rules (including applicable penalties, if any).

Provisions effective for taxable years beginning after December 31, 1998.

SECTION 3: TAX CREDIT FOR TAXPAYERS CARING FOR A DEPENDENT PARENT OR SPOUSE IN THE HOME

A $500 tax credit (refundable) can be claimed for each chronically ill spouse/parent who cannot perform two or more activities of daily living (ADLs) due to a physical or mental impairment.

Dependent spouse/parent must reside in the taxpayer's principal place of residence for more than half of the taxable year.

'Elder-care' tax credit phased in over the next five years as follows:

Calendar year	Applicable 'elder-care' tax credit amount
1999	$250
2000	350
2001	400
2002	450
2003	500

The tax credit is indexed for inflation after 2003. It will be indexed to the medical cost component of the Consumer Price Index (CPI).

Income limits for 'elder care' credit are identical to $500-per-child tax credit included in Taxpayer Relief Act of 1997 (P.L. 104–34).

Provisions effective for taxable years beginning after December 31, 1998.

TRIBUTE TO JOE MORAN

HON. PAUL E. KANJORSKI

OF PENNSYLVANIA

IN THE HOUSE OF REPRESENTATIVES

Wednesday, January 6, 1999

Mr. KANJORSKI. Mr. Speaker, I rise today to pay tribute to a distinguished educator from Northeastern Pennsylvania, Joe Moran. This month, Joe's colleagues, family, and students will gather to honor him as he retires. I am pleased to have been asked to participate in this tribute.

Joe Moran grew up in Luzerne County and had a distinguished athletic career at the University of Scranton. After earning his degree, he went to work as an engineer for Martin Aircraft of Baltimore, Maryland. Not long afterwards, Joe became a teacher in New Jersey and in 1959, he returned to Wilkes-Barre to teach. Joe spent twenty-four years as a physics teacher and coach at Coughlin High School. During Joe's tenure as coach, Coughlin's football team went to seven city championships and one Wyoming Valley Conference championship. As a result, Joe was named coach of the year in 1960 and 1966. He also led the track and field team to several championships. From 1973 to 1978, he was the Athletic Director at Coughlin High School. He later coached the defensive line at Wilkes College, helping to garner three Mid-Atlantic Conference crowns.

In 1982, Coughlin High School made Joe an Assistant Principal and he helped integrate computers into the academic program. A few years later, Joe became principal of the G.A.R. Memorial Junior High School, also in Wilkes-Barre. There, he was instrumental in establishing the state-of-the-art technology center. In 1998, he became principal of the High School.

Joe's love of sports and long career has helped shape the nature of high school athletics in the Wyoming Valley. He cofounded the Scholastic Tennis conference and was Co-Commissioner of the Wyoming Valley Track and Field Conference for two decades. He organized the first junior high girls track meet in the state. He served on the State Committee for Scholastic Football, the Commission of the Wyoming Valley Football Conference, and the Eastern Football Conference. Joe has been a swimming official for more than twenty years and was executive director of the Wyoming Valley Track and Field Officials Association. During this time, he and his wife, Fran, have raised six children who have, in turn, produced six grandchildren.

Mr. Speaker, Joe Moran deserves our gratitude for the dedication he has shown our area youth for almost forty years. Not only is he an educator and administrator, but he is an inspiration to our young athletes. I am proud to join with his family, his friends, and the community in congratulating Joe on a job well done. I send him my very best wishes for a happy and healthy retirement.

THE WISE BILL

HON. BILL McCOLLUM

OF FLORIDA

IN THE HOUSE OF REPRESENTATIVES

Wednesday, January 6, 1999

Mr. McCOLLUM. Mr. Speaker, today I take great pride in introducing the Women's Investment and Savings Equity Act of 1999, the WISE bill. Joining me in this effort is my colleague from Washington, Ms. JENNIFER DUNN.

The old proverb ''a penny saved is a penny earned'' has more truth today than people realize. Savings is not only a critical part of American's retirement security, but our long-term economic growth depends largely on what we save today. After all, the economy cannot grow unless there's an adequate supply of capital to invest. Money saved for retirement, whether it is through savings accounts, IRA's or employer-sponsored pensions, is a primary source of private investment capital.

Unfortunately, today's punitive, complex Tax Code encourages consumption while savings and investment are generally discouraged. Low savings rates means reduced growth potential. It also means a lower quality of life when the retirement years arrive.

In an effort to stimulate savings, the WISE bill would make some much needed changes to our Tax Code as it pertains to savings for parents, especially women. Right now, parents who take unpaid maternity or paternity leave have no way of making up pension contributions once they return to the work force. Many parents also realize that it may not be possible for both parents to work while raising a child. Even if both do, there may not be enough money to make pension contributions.

The lack of savings opportunities I have just described would be removed if we enacted the WISE bill. The WISE bill would allow those coming off of unpaid maternity or paternity leave to make up contributions to their employer-sponsored pension, for example, 401(k), that they would have been able to make had they not been on leave. The legislation would allow the person 3 years to make up the missed contributions.

The WISE bill would also allow parents who do not make contributions to their pension while raising a child, regardless of whether the parent has left the work force or if they simply cannot make a contribution due to other expenses, to make up those contributions at a later date. After all, piano lessons will sometimes come before retirement savings. For example, if a parent does not make contributions for 13 years while raising a child, he or she will have 13 years to make up the contributions. The make-up contributions will be equal to the lesser of what the parent could have otherwise contributed, of 120 percent of the contribution limit minus what is being contributed that year. For example, a $50,000 earner with a 401(k) allowing for a 5-percent deferral, $2,500, as defined by the employer could contribute his or her normal $2,500 plus another $2,500 if it is a make-up year. The added $2,500 is the lesser of the plan limit, $2,500, or 120 percent of the legal limit, $11,400, minus $2,500, the contribution already being made. The legal limit of a 401(k) is $9,500.

These reforms are needed to remove the inequities that parents, especially women, face when it comes to savings for retirement. This would clearly spur additional personal savings. More savings equals an increase in retirement income, a reduction in dependence on entitlements and much needed economic growth. For all these reasons, it is imperative that we make retirement savings more attractive and easier for parents who face unique financial strains. The WISE bill does just that. I urge my colleagues to support this needed reform.